

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55810; File No. SR-NASD-2007-034)

May 24, 2007

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change Creating NASD Rule 1160 (Firm Contact Information) Regarding the Reporting and Annual Review of Designated Contact Information to NASD

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 11, 2007, the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASD is proposing to amend adopt new NASD Rule 1160 (Firm Contact Information) regarding the reporting of designated contact information to NASD and the annual review of such information. The proposed rule change also would amend Rule 1120 (Continuing Education Requirements), Rule 1150 (Executive Representative), Interpretive Material (IM)-3011-2 (Review of Anti-Money Laundering Compliance Person Information), and Rule 3520 (Emergency Contact Information) to eliminate the requirement that members review and update, at the end of each calendar quarter, the contact information required by these rules. The text of the proposed rule change is available at [www.nasd.com](http://www.nasd.com), at the NASD, and at the Commission's

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Currently, there are several rules requiring firms to identify and report to NASD certain designated contact persons: Rule 1120 (Continuing Education Requirements); Rule 1150 (Executive Representative); IM-3011-2 (Review of Anti-Money Laundering Compliance Person Information); and Rule 3520 (Emergency Contact Information). These rules further require firms to review the contact information at the end of each calendar quarter, and if necessary, update such information within 17 business days after the end of each quarter. Members review this information and provide any updates online via the NASD Contact System ("NCS").<sup>3</sup>

Based on recommendations made by its Small Firm Rules Impact Task Force,<sup>4</sup> NASD is

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<sup>3</sup> NASD also currently requires each firm to report, via NCS, contact information for its Executive Officer and the Head of Compliance. NCS also includes several optional fields for other contact persons.

<sup>4</sup> NASD established the Small Firm Rules Impact Task Force in September 2006 to examine how existing NASD rules impact smaller firms. In particular, the Task Force focuses on possible opportunities to amend or modernize certain conduct rules that may be particularly burdensome for small firms, where such changes are consistent with investor protection and market integrity.

proposing to eliminate these quarterly review requirements in favor of a more comprehensive approach for verifying and updating all contact information required to be reported. Specifically, proposed new Rule 1160 would require members to provide the required contact information via NCS or such other means as NASD may specify. New Rule 1160 also would require members to update the contact information promptly, but in any event not later than 30 days following any change in such information, as well as to review and, if necessary, update the information within 17 business days after the end of each calendar year. In addition, the rule would require members to comply with any NASD request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by NASD staff. The proposed rule change would not relieve members from any separate requirements to update such information.<sup>5</sup>

The proposed rule change also would amend Rule 3520 to eliminate the requirement that only a firm's Executive Representative, or his or her written designee, be permitted to review and update the firm's emergency contact information. NASD believes that eliminating this restriction will assist members in complying with their obligation to keep current their emergency contact information by giving members the flexibility to have others perform this duty as necessary or appropriate.

The proposed rule change has several advantages over current NASD requirements applicable to firm contact information. NASD understands that for many firms, the persons who

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<sup>5</sup> For example, a firm must identify, among others, its Chief Executive Officer and Chief Compliance Officer on Form BD, and promptly update such information by submitting an amendment whenever the information becomes inaccurate or incomplete for any reason. See also Article IV, Section 1(c) of the NASD By-Laws, requiring each member to ensure that its membership application is kept current at all times by supplementary amendments, and to file any such amendment no later than 30 days after learning of the facts or circumstances giving rise to the amendment.







